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From: [REDACTED]
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To: [REDACTED]
Cc: [REDACTED]
Bcc:
Subject: FW: Munro calculation issue coordination

Partnership items are not assumed to be correct under the Munro computation. Instead, they are ignored as follows:

The partnership items are removed from the taxpayer Form 1040 and the deficiency is calculated as follows under CCDM 35.2.1.1.16(5):

Whenever non-TEFRA adjustments are to be made to a petitioner's return that contains TEFRA items and a Munro computation must be made, deficiencies shall be computed as follows:

- a. All TEFRA items that have been reported on the petitioner's return shall be removed to determine the modified taxable income.
- b. However, if the treatment of any TEFRA item has been finally determined, e.g., by reason of a no change, a settlement or a completed TEFRA proceeding, those TEFRA items whose treatment have been finally determined shall not be removed.
- c. Similarly, if there is no ongoing TEFRA proceeding with respect to the TEFRA items at the time that the computation is being made, those TEFRA items shall not be removed.
- d. The non-TEFRA adjustments that are contained in the statutory notice (as modified in the court proceeding) will be added. The result will be the modified taxable income as corrected.
- e. The tax on the amount in step (a) (the modified taxable income) will be calculated.
- f. The tax on the amount in step (d) (the modified taxable income as corrected) will be calculated.
- g. The amount in step (e) will be subtracted from the amount in step (f). The difference will be the deficiency.

Sometimes for the purpose of a docketed non-TEFRA deficiency proceeding the parties will agree to treat the partnership items as correctly reported. But this requires that a Munro stipulation be signed agreeing that the Service may assess any remaining non-TEFRA deficiency (e.g, the bracket creep that would otherwise apply to the non-TEFRA deficiency under the CCDM Munro comp) as part of our later computational adjustment.